

110TH CONGRESS
2D SESSION

H. RES. 1452

Establishing the Select Committee on Financial Bailouts.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 17, 2008

Mr. GARRETT of New Jersey (for himself and Ms. KAPTUR) submitted the following resolution; which was referred to the Committee on Rules

RESOLUTION

Establishing the Select Committee on Financial Bailouts.

Whereas for the first time since the Great Depression, the Board of Governors of the Federal Reserve System voted to open the Discount Window to investment banks;

Whereas the Board of Governors of the Federal Reserve System guaranteed \$29,000,000,000 of security liabilities of investment bank Bear Stearns;

Whereas on July 30, 2008, the Housing and Economic Recovery Act of 2008 was signed into law and gave the Federal Government the authority to take over the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation;

Whereas Treasury Secretary Henry Paulson testified before the Senate Banking Committee: “If you’ve got a squirt gun in your pocket, you may have to take it out. If

you’ve got a bazooka, and people know you’ve got it, you may not have to take it out.”;

Whereas on September 6, 2008, Secretary Paulson announced that the Secretary would use the new powers under the Housing and Economic Recovery Act of 2008 to purchase up to \$100,000,000,000 of preferred stock in each Government-sponsored enterprise as needed to ensure that each Government-sponsored enterprise maintains a positive net worth;

Whereas on September 7, 2008, Federal Housing Finance Agency Director, James Lockhart, established a conservatorship for the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation putting the Government in control of the companies;

Whereas on September 18, 2008, the Washington Post reported “Fannie Mae, and to a lesser extent Freddie Mac, became enmeshed in the fabric of political Washington. They were places former government officials went to get wealthy—and to wait for new federal appointments. At Fannie Mae, chief executives had clauses written into their contracts spelling out the severance benefits they would receive if they left for a government post. The companies also donated generously to the campaigns of favored politicians. The companies’ political action committees and employees have donated \$4.8 million to members of Congress since 1989, according to the Center for Responsive Politics.”;

Whereas the Board of Governors of the Federal Reserve System announced on Sunday, September 14, 2008, that it expanded the criteria of eligible collateral to be pledged at the Primary Dealer Credit Facility to securities below investment grade;

Whereas on September 17, 2008, Bloomberg News reported that Allianz SE, Europe’s largest insurer, made an offer to invest in American International Group Inc. that was rejected by the United States insurer 2 days before it accepted a Government takeover;

Whereas on September 16, 2008, the Board of Governors of the Federal Reserve System authorized the Federal Reserve Bank of New York to lend up to \$85,000,000,000 to the American International Group (AIG); and

Whereas on September 17, 2008, the Secretary of the Treasury announced the Treasury was going to lend money to the Board of Governors of the Federal Reserve System to help it meet its obligations: Now, therefore, be it

1 *Resolved,*

2 **SECTION 1. SELECT COMMITTEE ON FINANCIAL BAILOUTS.**

3 (a) IN GENERAL.—There is hereby established the
4 Select Committee on Financial Bailouts (hereinafter in
5 this resolution referred to as the “select committee”) to
6 investigate the extraordinary actions taken by the Board
7 of Governors of the Federal Reserve System and the Sec-
8 retary of the Treasury in 2008.

9 (b) MEMBERSHIP.—The select committee shall be
10 comprised of 10 members appointed by the Speaker, of
11 whom 5 shall be appointed on the recommendation of the
12 minority leader, as follows: one member of the majority
13 party and one member of the minority party from the
14 Committees on Financial Services, Ways and Means, En-
15 ergy and Commerce, and Oversight and Government Re-

1 form, and one member of each party from the leadership
2 of the House of Representatives.

3 (c) DUTIES.—The select committee shall—

4 (1) investigate the actions taken by the Board
5 of Governors of the Federal Reserve System with the
6 support of the Secretary of the Treasury related to
7 the March 16, 2008, sale of The Bear Stearns Com-
8 panies Inc., to JPMorgan Chase & Company;

9 (2) investigate the actions taken by the Sec-
10 retary of the Treasury, with support from the Board
11 of Governors of the Federal Reserve System on Sep-
12 tember 7, 2008, to place the Federal National Mort-
13 gage Association and the Federal Home Loan Mort-
14 gage Corporation, both Government-sponsored enter-
15 prises, into conservatorship;

16 (3) investigate the actions taken by the Sec-
17 retary of the Treasury and the Board of Governors
18 of the Federal Reserve System related to the pur-
19 chase of Merrill Lynch & Co., Inc. by the Bank of
20 America Corporation on September 15, 2008;

21 (4) investigate the actions taken by the Sec-
22 retary of the Treasury and the Board of Governors
23 of the Federal Reserve System related to the bank-
24 ruptcy filing by Lehman Brothers Holdings Inc. on
25 September 15, 2008;

1 (5) investigate the actions taken by the Board
2 of Governors of the Federal Reserve System, with
3 the support of the Secretary of the Treasury, related
4 to the authorization of an emergency loan to the
5 American International Group on September 16,
6 2008;

7 (6) investigate the oversight role of the Board
8 of Directors of the Federal National Mortgage Asso-
9 ciation and of the Federal Home Loan Mortgage
10 Corporation and their efforts to protect the interests
11 of taxpayers and the appropriateness of their com-
12 pensation; and

13 (7) investigate the role that political influence
14 may have had on the oversight of the financial mar-
15 kets by both the Congress and the Federal regu-
16 latory agencies.

17 (d) PROCEDURE.—Clauses 1, 2 (including paragraph
18 (m) granting subpoena authority), 4, and 5 of rule XI of
19 the Rules of the House of Representatives shall apply to
20 the select committee.

21 **SEC. 2. REPORT.**

22 The select committee shall submit to the House, no
23 later than December 31, 2008, a report—

1 (1) detailing the extraordinary actions taken by
2 the Secretary of the Treasury and the Board of Gov-
3 ernors of the Federal Reserve System in 2008;

4 (2) outlining the role that political activities
5 and influence had in affecting the market conditions
6 that led to the extraordinary actions taken by the
7 Secretary of the Treasury and the Board of Gov-
8 ernors of the Federal Reserve System; and

9 (3) recommending congressional action that
10 would prevent the need for the Secretary of the
11 Treasury and the Board of Governors of the Federal
12 Reserve System to intervene in the capital markets
13 in the future.

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